

Desjardins Money Market Fund



QUARTERLY COMMENTARY AS OF JUNE 30, 2021

PORTFOLIO MANAGER:
Desjardins Global Asset Management

INCEPTION DATE:
January 15, 1989

CIFSC CATEGORY*:
Canadian Money Market

Contributors to performance

- The second quarter of 2021 was once again punctuated with twists and turns for market participants as investors juggled excellent economic data, a firmer stance from central banks, and the threat of a new COVID-19 variant spreading rapidly. With bankers' acceptance (BA) rates trading close to provincial treasury bill rates and the strong performance of long-term deposit notes, the overall weighting of bank securities was reduced in favour of government securities. Short-term BAs were replaced by provincial treasury bills and corporate bonds. The latter offered an attractive spread over a similar term. Long-term deposit notes were replaced by long-term corporate bonds, which kept the Fund's return profile and duration above target. The weighting of corporate bonds has also increased, and their average maturity has been extended. Commercial instruments remained concentrated in the less than 3-month maturity curve segment. During the period, the proportion of variable-rate securities was maintained. The weighting of variable-rate securities has been increased by taking a position in a variable-rate note from the banking sector. A rise in bankers' acceptance issuance is expected to result in an increase in the CDOR rate, which should increase the carry of these securities.

Detractors from performance

- As a result of the central bank's firmer stance, Canadian treasury bill rates rose throughout the quarter, resulting in tighter rate spreads across the BAs and commercial instruments complex. An abundance of liquidity in the system and the continued shortage of products also contributed to the tightening of spreads throughout the quarter. The 3-month and 1-year treasury bills ended the period with a yield of approximately 0.14% and 0.24%, respectively, up 5 and 7 basis points from the previous quarter. In addition, the spread between the 3-month CDOR rate and the T-bill rate decreased

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Detractors from performance (cont'd)

from 34.5 to 29.875 basis points. While money markets are expected to remain resilient, the impact of any updates to monetary policy and economic data on the short end of the curve will be closely monitored. An increase in bank lending activity could result in increased BA issuance, and thus wider interest rate spreads.

*CIFSC refers to Canadian Investment Funds Standards Committee. The CIFSC has the mandate to standardize the classification of mutual funds in Canada. <http://www.cifsc.org/>.

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